

Message Text

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ORIGIN EB-07

INFO OCT-01 ARA-06 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

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DRAFTED BY ARA/MEX:GFALK:EB/OT/STA:BBISHOP:DI

APPROVED BY EB/ITP:MWGLITMAN

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FM SECSTATE WASHDC

TO AMEMBASSY MEXICO PRIORITY

INFO USMISSION GENEVA

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E.O. 11652: N/A

TAGS: ETRD, MX

SUBJECT: GOM CONCERN REGARDING U.S. FOREIGN TRADE POLICY

1. MEXICAN AMBASSADOR DE OLLOQUI CALLED ON DEPUTY ASSISTANT SECRETARY FOR INTERNATIONAL TRADE POLICY, MAYNARD W. GLITMAN, NOVEMBER 10, TO DELIVER A NOTE REGARDING THE GOM'S CONCERN OVER U.S. RESTRICTIVE TRADE MEASURES.

2. THE AMBASSADOR'S MAIN THRUST WAS THAT BECAUSE OF MEXICO'S UNFAVORABLE TRADE BALANCE WITH THE U.S.

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(2.2 BILLION DOLLARS IN 74 EXCLUDING BORDER INDUSTRY)

AND ITS SPECIAL TRADING RELATIONSHIP WITH THE U.S. (OUR FOURTH LARGEST IMPORTER) THE U.S. SHOULD RESTRAIN FROM IMPOSING TRADE RESTRICTIONS THAT WOULD HAMPER THE ECONOMIC GROWTH OF MEXICO. AMBASSADOR DE OLLOQUI EXPRESSED HIS GOVERNMENT'S ALARM AT ACTIONS AND INVESTIGATIONS BEING TAKEN BY TREASURY AND THE INTERNATIONAL TRADE COMMISSION (ITC) RELATED TO COUNTERVAILING DUTIES, DUMPING, ESCAPE CLAUSE AND OTHER MEASURES WHICH HE ALLEGED CONSTITUTE BOTH TARIFF AND NON-TARIFF TRADE BARRIERS AGAINST MEXICAN EXPORTS. HE EXPRESSED VIEW THAT SHORT-TERM GSP BENEFITS FOR MEXICO WOULD NOT EXCEED 200 MILLION DOLLARS,

FAR LESS THAN GOM ORIGINALLY ANTICIPATED. AMBASSADOR ALSO CONCERNED ABOUT ITC INVESTIGATION, INITIATED ON OWN MOTION, REGARDING IMPACT OF SHRIMP EXPORTS.

3. MR. GLITMAN SAID HE DID NOT THINK SIGNIFICANCE OF BILATERAL TRADE DEFICITS OR SURPLUSES SHOULD BE OVER-EMPHASIZED, COMMENTING THAT TRADE BALANCES CHANGE QUICKLY. HE NOTED WITH SATISFACTION THAT TOTAL EXPORTS OF BOTH COUNTRIES IN BILATERAL TRADE HAVE GROWN SUBSTANTIALLY. HE EXPRESSED VIEW THAT OVERALL BALANCE OF PAYMENTS SITUATION IS BETTER INDICATOR OF INTERNATIONAL ECONOMIC POSITION OF ANY GIVEN COUNTRY AND THAT FLEXIBLE EXCHANGE RATES HAD ADDED NEW ELEMENT TO MANNER IN WHICH COUNTRIES SHOULD VIEW THEIR BALANCE OF PAYMENTS POSITION.

4. MR. GLITMAN EXPLAINED THAT TREASURY, ITC AND OTHER AGENCIES CHARGED WITH IMPARTIAL ADMINISTRATION OF U.S. LAW ARE NOT IN POSITION TO CONSIDER SPECIAL BILATERAL TRADE CONDITIONS OR RELATIONSHIPS IN MAKING DETERMINATIONS REGARDING EXISTENCE AND IMPACT OF INCREASED IMPORTS (E.G., ITC UNDER ESCAPE CLAUSE LAWS) OR UNFAIR TRADE PRACTICES (E.G., TREASURY UNDER ANTIDUMPING AND COUNTERVAILING LEGISLATION). MR. GLITMAN STRESSED THAT USG REMAINS COMMITTED TO LIBERALIZATION OF WORLD TRADE AND POINTED OUT THAT PETITIONS FOR RELIEF ARE INITIATED BY THE PRIVATE SECTOR.

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5. HE NOTED THAT U.S. ACTIONS IN DEALING WITH PROTECTIONIST PRESSURES HAD IN FACT BEEN VERY RESPONSIBLE WITH ADMINISTRATION USING LIMITED FLEXIBILITY AVAILABLE TO IT. HE OBSERVED THAT GOM SHOULD NOT BE UNDUELY CONCERNED BY APPARENT INCREASE IN INVESTIGATIONS. AS REGARDS CVD CASES, MR. GLITMAN SAID TRADE ACT REQUIRED TREASURY TO COMPLETE ACTION WITHIN ONE YEAR OF SOME 30 CASES STILL OUTSTANDING PRIOR TO ACT'S PASSAGE.

THEREFORE, INCREASED ACTIVITY RESULTS PRIMARILY FROM INVESTIGATIONS OF OLD CASES RATHER THAN INITIATION OF NEW CASES. HE ALSO NOTED MEXICO AFFECTED IN ONLY TWO INSTANCES, ASPARAGUS AND STEEL PRODUCTS (TENTATIVE NEGATIVE ISSUED IN STEEL CASE). IN FIRST TWO ESCAPE CLAUSE CASES UNDER REVISED LAW, ITC DETERMINED IMPORTS NOT CAUSE OF INJURY TO DOMESTIC INDUSTRY.

6. RE GSP, VIEW EXPRESSED THAT GOM ESTIMATE OF SHORT-TERM BENEFITS TOO CONSERVATIVE. MOREOVER, MR. GLITMAN STRESSED THAT MAJOR GSP BENEFITS WILL BE REALIZED OVER MEDIUM AND LONG-TERM IF COUNTRIES SUCH AS MEXICO TAKE

ADVANTAGE OF ZERO-TARIFF MARKET OPPORTUNITIES. AMBASSADOR ACKNOWLEDGED GSP WOULD PROBABLY FAVOR MEXICO MORE THAN MOST LDCS.

7. REGARDING ITC SHRIMP INVESTIGATION, MR. GLITMAN EXPLAINED THAT ITC STUDY IS NOT AN ESCAPE CLAUSE ACTION AND THAT ITC WILL NOT MAKE RECOMMENDATIONS WHICH COULD RESULT IN RESTRICTIVE MEASURES. HE NOTED THAT ITC OFTEN INVESTIGATES CONDITIONS OF COMPETITION AT REQUEST OF FIRMS, CONGRESSMEN, THE PRESIDENT OR ON ITS OWN INITIATIVE.

8. DE OLLOQU'S PRESENTATION PARALLELED NOTE HE PRESENTED TO GLITMAN WITH MAJOR EXCEPTION THAT NOTE REQUESTED FOLLOWING U.S. ASSURANCES:

A. U.S. WILL NOT IMPOSE NEW OR GREATER OBSTACLES THAT WOULD RESTRAIN MEXICAN EXPORTS TO THE U.S.

B. CONSULTATIONS AT THE HIGHEST LEVEL WOULD BE LIMITED OFFICIAL USE

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CALLED BEFORE TAKING MEASURES WHICH WOULD PREJUDICE THE ECONOMIC RELATIONS BETWEEN MEXICO AND THE U.S.; AND

C. THE U.S. FORMULATE SOME PROGRAM THAT WOULD CON-
CRETELY AND EFFECTIVELY HELP MEXICO REDUCE ITS LARGE
COMMERCIAL DEFICIT WITH THE U.S.

5. THE SPANISH TEXT OF THE NOTE WAS TRANSMITTED IN REFTEL. DEPARTMENT WILL FORWARD TRANSLATION AND ITS RESPONSE TO THE GOM NOTE WHEN COMPLETED. KISSINGER

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